

SEPTEMBER 2017 QUARTERLY REPORT

Paringa Resources Limited (“Paringa” or “Company”) (ASX: PNL) is pleased to present its quarterly report for the period ending September 30, 2017.

Highlights during, and subsequent to, the quarter include:

- Commenced construction of the Poplar Grove Mine, starting with excavation and site development works at the mine site area;
- Completed the foundations for the coal handling and preparation plant (“CHPP”) with structural steel to be erected in the coming weeks;
- Completed detailed value engineering and optimization review of the Poplar Grove Mine, which provided improvements in safety, operating costs, and mine economics;
- Access to the Poplar Grove coal seam has been simplified via one major decline from surface instead of a box-cut development with three declines;
- Awarded approximately 90% of the total capex for the development of Poplar Grove on a fixed price basis, significantly reducing pricing and timing risk; and
- Continued to strengthen the construction and operational team with key executive appointments, including the promotion of Mr. Rick Kim to COO and the addition of Mr. Adam Anderson as Sr. Vice President of Coal Sales & Marketing.

Next Steps

- Continue discussions with utilities located within the Ohio River and South-East markets, potentially leading to additional sales contracts;
- Begin construction of the CHPP and barge load-out facility by end of Q4 2017;
- Continue discussions with advisers for a potential listing on a major U.S. stock exchange; and
- Paringa remains on track to begin first coal production at Poplar Grove in the third quarter of 2018.

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About Buck Creek Complex

Paringa Resources Limited is an emerging U.S. energy provider developing the high margin, low capex Buck Creek Mine Complex ("Buck Creek Complex") located in the growing Illinois Coal Basin ("ILB").

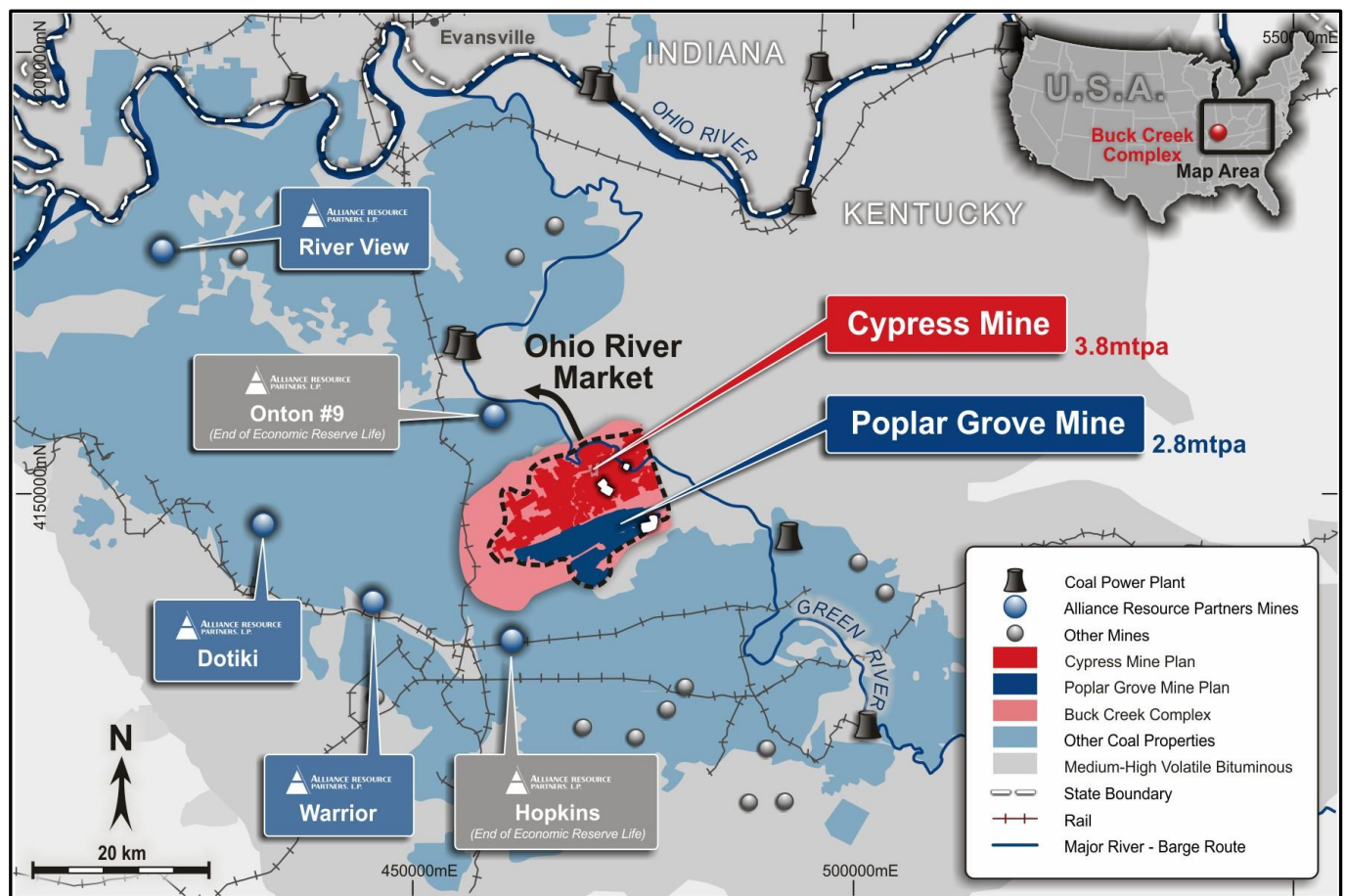
The Buck Creek Complex includes two fully permitted thermal coal mines: (1) the Poplar Grove Mine with planned production of 2.8 million tons per annum ("Mtpa"); and (2) the Cypress Mine with planned production of 3.8 Mtpa.

Construction has now commenced at the fully financed Poplar Grove Mine, with first coal expected to be produced by August 2018.

The Group's objective is to become the next major Illinois Coal Basin producer by developing low capital and operating cost mines located near low cost river transportation in the ILB.

Once the Poplar Grove Mine is constructed, the Group will make low risk, low cost mine developments to grow its coal production to 6.6 Mtpa and beyond. The Group will underpin this additional growth with long-term sales contracts to ensure that additional capacity investments are low risk and generate high levels of free cash flow.

The simplicity of the Poplar Grove mine construction, coal mining operations and coal processing techniques provide relatively low execution and operational risks compared to other new mine developments.

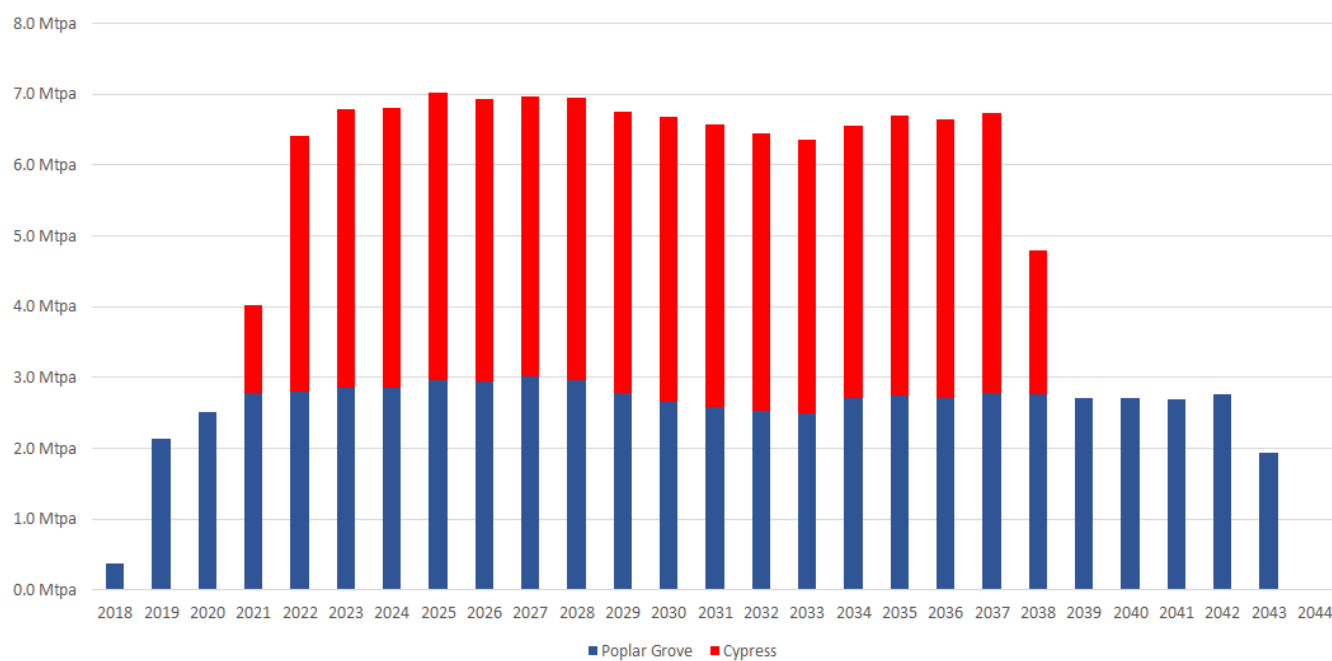


Map of Buck Creek Complex and Local Mining Operations in Western Kentucky (Illinois Basin)



Mine Site Excavation and Development Continues at Poplar Grove Mine

Buck Creek Production Profile



Production Profile of the Poplar Grove and Cypress Mines (2018 to 2044)



Preparing Foundations at the Preparation Plant at Poplar Grove Mine

Next Steps

The Company has an exciting 12 months ahead with a substantial amount of activity scheduled for the Poplar Grove Mine, including:

- Continue discussions with utilities located within the Ohio River and South East markets, potentially leading to additional sales contracts;
- Begin construction of the CHPP and barge load-out facility by end of Q4 2017;
- Continue discussions with advisers for a potential listing on a major US stock exchange; and
- Begin first coal production at Poplar Grove in the third quarter of 2018.

Groundbreaking Ceremony for Poplar Grove Mine

During the quarter, the Company began construction of the 2.8 Mtpa Poplar Grove Mine. Paringa also conducted a mine site visit for +40 US based bankers, brokers, coal analysts, utility customers and media with some representatives from Australia to view the Company's progress in constructing the Poplar Grove Mine.

Following the Poplar Grove mine site visit, the Governor of Kentucky, Mr. Matt Bevin, hosted all attendees at the Governor's Mansion in Frankfort, Kentucky to discuss the state's progress in becoming the engineering and manufacturing hub of the US and strategies to further increase the competitiveness of the Kentucky coal industry.



Paringa's CEO Grant Quasha presenting the Poplar Grove Mine Ceremonial Shovel to Mr Matt Bevin, the Governor of Kentucky



Mine Site Excavation and Development

Engineering and Mine Optimization Review

Following a detailed value engineering and mine optimization of the Poplar Grove Mine, Paringa will now access the underground coal seam via a slope (i.e. decline) from surface with two additional vertical airshafts, replacing the proposed box-cut development with three declines that were to be excavated by Paringa using short term construction equipment.

The new optimized method to access the coal at Poplar Grove via slope and shaft provides the following advantages:

- ✓ ***Increased Safety during Construction***

The construction of the slope offers several safety advantages over the box cut/declines as the slope/shafts minimize underground and highwall exposure during the construction phase of the project for Paringa employees and contractors. The airshafts will be constructed by blind-drilling with no personnel in the shafts as opposed to ventilation declines which require personnel in development and in maintenance.

- ✓ ***Increased Safety during Operations***

Operating safety advantages include the elimination of the daily exposure of the box cut highwalls to every employee as they travel underground. In addition, the newly designed airshafts require no maintenance compared to having employees maintain the ventilation slopes.

- ✓ ***Operational Mine Improvements***

The elimination of the open box-cut and highwalls, which collect water, eliminates the need for the constant inspection, maintenance and water pumping, thus reducing operating costs including power costs over the 25-year mine life of Poplar Grove.

The smooth steel lined circular air ways created by blind drill ventilation shafts offer significant ventilation advantages over the rough, irregular airways of the declines which would accompany the box-cut development. The lower frictional air losses in the vertical air shafts results in lower ventilation air pressures and lower operating costs including lower power costs. This saving in power lasts for the life of the mine operation.

- ✓ ***More Capex Locked-up in Fixed Price Construction Contracts***

Construction of the slope and shafts by world-renowned and extremely experienced contractors under fixed price construction contracts eliminates the risk of cost overruns that constantly loom over owner developed declines until first coal is achieved in mid-2018. Paringa can now account for approximately 90% of the total capex budget under fixed price contracts, significantly reducing pricing and timing risk.

- ✓ ***Improved Mine Economics***

Increase of approximately \$1 million in the net present value ("NPV") of the Poplar Grove mine from a modest reduction in operating costs over the life of the mine (approximately

US\$0.25 per ton) at the cost of a slight net increase in total capital costs from US\$44.7 million to US\$48.5 million.

✓ ***Poplar Grove Remains Funded***

Compared to previous total initial capital estimate of US\$44.7 million, the updated total Initial Capital for Poplar Grove has increased by US\$3.8 million to US\$48.5 million which falls within the 10% contingency accounted for during the financing of the Poplar Grove Mine. The net increase accounts for the capital cost savings following a competitive bidding process to execute a fixed price contract for the CHPP and barge load-out facility, and the increase in capital cost from the execution of a fixed price cost for the slope and shafts to access the coal at Poplar Grove.



New Plan View of the Poplar Grove Mine

Slope Specifications

Access to the underground coal seam at the Poplar Grove mine will now be provided by a slope (decline entryway from the surface to the coal seam) for transport of personnel, materials, and run-of-mine (“**ROM**”) coal, and two vertical shafts for mine ventilation (i.e. intake and outtake air). The mine slope will accommodate a conveyor belt to transport ROM coal to the mine site area and a travelway for the transportation of personnel, supplies, and equipment.

Overview of the slope specifications:

- Work awarded to Frontier-Kemper Constructors, Inc. which is a subsidiary of Tutor Perini Company, one of the largest general contractors in the United States;
- Contractor will be responsible for the excavation, support, and finishing of a 15.0 ft. wide by 13.5 ft. high dual-compartment slope;
- The top compartment will house the slope conveyor;
- The bottom compartment will serve as the roadway for all men and materials to be transported into and out of the mine;
- The slope will be driven at an 8.5 degree angle from horizontal;
- Slope construction will utilize drilling & blasting;
- Roof support will be in the form of rock bolts and steel arches with cement backfill between the top of the arch and the cavity; and



Example of a Slope Entry Similar to Poplar Grove Mine

Vertical Shaft

Two vertical airshafts will be constructed in order to ventilate the slope and mine. One shaft will be designed for intake (fresh) air, and the other will carry return air which has passed through the mine. The shafts will be constructed from the surface using conventional blind drilling techniques to a depth of approximately 220 feet. The finished (steel-lined) inside diameter of the shaft will be 10.5 feet. The fixed price contract was awarded to North American Drillers, Inc, the leader in blind drilled shafts.

Strengthening U.S. Construction and Operational Team

During and subsequent to the quarter, Paringa continued to strengthen its construction and operational team with key executive appointments, including Mr. Adam Anderson as Sr. Vice President of Coal Sales & Marketing.

Mr. Anderson is a highly experienced and well-respected coal sales professional and his duties will be focused on continuing to build relationships with the Ohio River and South-East markets, and execute on Paringa's coal sales and marketing strategy. Prior to joining, Adam Anderson was Vice President of Sales and Marketing for Armstrong Energy, Inc, the second-largest thermal coal producer based in Western Kentucky. In this role he was responsible for all coal sales marketing efforts at that company, building very strong relationships with Paringa's Ohio River target market and the South-East markets for 13 years. Prior to joining Armstrong, Mr. Anderson spent six years with Arch Coal, Inc. as Vice President of Sales. In this role, Mr. Anderson was the senior member of the Powder River Basin sales team and also led Arch's eastern industrial sales initiative.

In the years before entering the energy industry, Mr. Anderson served on active duty with the U.S. Air Force for almost 13 years and subsequently continued his service in the Air National Guard, retiring after 27 years at the rank of Lieutenant Colonel. Mr. Anderson earned his Bachelor of Science Degree in Engineering and Legal Studies in 1995 from the United States Air Force Academy and received an MBA with honors from St. Mary's University in 2004. Mr. Anderson presently serves as an Officer on The Board of Directors for the American Coal Council, serves as President of the St Louis Coal Club, and is proud to be a member of the New York Coal Trade Association and the Lexington Coal Exchange.

These additions continue to strengthen Paringa's executive management team following the recent appointments of Paringa's Maintenance Manager Mr. Chris Brooks, formerly Maintenance Manager of Armstrong Energy, and Paringa's Mining Engineer Mr. Will Scates, formerly Senior Mine Engineer at Alliance's Western Kentucky River View mine. In addition, Mr. Rick Kim has been promoted as Paringa's new Chief Executive Officer ("COO"), with both Mr. Matt Haaga (former COO) and Mr. Jim Plaisted (former VP of Coal Sales and Marketing) remaining heavily involved as key technical consultants to the Company.

Buck Creek Development Timetable

Buck Creek	2017				2018				2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<u>Poplar Grove</u>																				
Technical Studies	✓																			
Permitting	✓																			
Financing		✓																		
Construction			✓																	
Production (WK No.9)																				
WK No.11 Incline																				
Production (WK No.11)																				
<u>Cypress</u>																				
Construction																				
Commercial Production																				

Development Timeline of the Poplar Grove and Cypress Mines (2017 to 2021)

Buck Creek Coal Leases

At the end of the quarter, Paringa controlled approximately 39,500 gross acres (15,985 ha) of coal leases in Kentucky, United States, which comprise the Buck Creek Mining Complex. The area is controlled by Paringa through approximately 300 individual coal leases with private mineral owners.

Forward Looking Statements

This report may include forward-looking statements. These forward-looking statements are based on Paringa's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Paringa, which could cause actual results to differ materially from such statements. Paringa makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of that announcement.

Competent Persons Statements

The information in this report that relates to Exploration Results, Coal Resources, Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation was extracted from Paringa's ASX announcements dated March 28, 2017 entitled "Expanded BFS Results Confirms Development Pathway to A\$850 million NPV" and December 2, 2015 entitled 'BFS Confirms Buck Creek will be a Low Capex, High Margin Coal Mine' which are available to view on the Company's website at www.paringaresources.com.au.

The information in the original ASX announcements that related to Exploration Results and Coal Resources is based on, and fairly represents, information compiled or reviewed by Mr. Kirt W. Suehs, a Competent Person who is a Member of The American Institute of Professional Geologists. Mr. Suehs is employed by Cardno. Mr. Suehs has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as a Qualified Person as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

The information in the original ASX announcements that related to Coal Reserves, Mining, Coal Preparation, Infrastructure, Production Targets and Cost Estimation is based on, and fairly represents, information compiled or reviewed by Messrs. Justin S. Douthat and Gerard J. Enigk, both of whom are Competent Persons and are Registered Members of the Society for Mining, Metallurgy & Exploration. Messrs. Douthat and Enigk are employed by Cardno. Messrs. Douthat, and Enigk have sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and to qualify as Qualified Persons as defined in the 2011 Edition of the National Instrument 43-101 and Canadian Institute of Mining's Definition Standards on Mineral Reserves and Mineral Resources.

Paringa confirms that: a) it is not aware of any new information or data that materially affects the information included in the original ASX announcements; b) all material assumptions and technical parameters underpinning the Coal Resource, Coal Reserve, Production Target, and related forecast financial information derived from the Production Target included in the original ASX announcements continue to apply and have not materially changed; and c) the form and context in which the relevant Competent Persons' findings are presented in this presentation have not been materially modified from the original ASX announcements.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Paringa Resources Limited

ABN

44 155 933 010

Quarter ended ("current quarter")

30 September 2017

Consolidated statement of cash flows		Current quarter US\$000	Year to date (3 months) US\$000
1. Cash flows from operating activities			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) exploration & evaluation	(7)	(7)	(7)
(b) development	-	-	-
(c) production	-	-	-
(d) staff costs	(672)	(672)	(672)
(e) administration and corporate costs	(237)	(237)	(237)
1.3 Dividends received (see note 3)	-	-	-
1.4 Interest received	69	69	69
1.5 Interest and other costs of finance paid	-	-	-
1.6 Income taxes paid	-	-	-
1.7 Research and development refunds	-	-	-
1.8 Other (provide details if material)	-	-	-
1.9 Net cash from / (used in) operating activities	(847)	(847)	(847)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment	(1,159)	(1,159)	(1,159)
(b) tenements (see item 10)	-	-	-
(c) investments	-	-	-
(d) other non-current assets	(351)	(351)	(351)

Consolidated statement of cash flows		Current quarter US\$000	Year to date (3 months) US\$000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material):		
	(a) deferred consideration	-	-
2.6	Net cash from / (used in) investing activities	(1,509)	(1,509)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	120	120
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(36)	(36)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	84	84

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	34,802	34,802
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(847)	(847)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,509)	(1,509)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	84	84

Consolidated statement of cash flows		Current quarter US\$000	Year to date (3 months) US\$000
4.5	Effect of movement in exchange rates on cash held	59	59
4.6	Cash and cash equivalents at end of period	32,589	32,589

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter US\$000	Previous quarter US\$000
5.1	Bank balances	6,581	34,802
5.2	Call deposits	26,008	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	32,589	34,802

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
US\$000**

227

-

Payments to directors for services and defined contribution plans.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
US\$000**

-

-

Not applicable.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end US\$000	Amount drawn at quarter end US\$000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In April 2017, the Company accepted a committed letter of offer from Macquarie Bank Limited to provide a five-year US\$20 million secured Project Loan Facility ("PLF") and a US\$1.7 million Letter of Credit Facility ("LCF"). The key terms of the PLF are typical of a facility of this nature, including a floating interest rate comprising the 3-month LIBOR plus a margin of 10.5% pa during construction, falling to a 9.5% margin for the remainder of the loan. Provision of the facilities are subject to execution of formal documentation and satisfaction of a number of conditions precedent.

9. Estimated cash outflows for next quarter	US\$000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(675)
9.5 Administration and corporate costs	(300)
9.6 Other (provide details if material):	
(a) project capital expenditure	(8,230)
(b) deferred consideration	(3,750)
9.7 Total estimated cash outflows	(12,955)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Buck Creek Complex located in Kentucky, USA	Coal leases with private mineral owners	100% (39,797 acres)	100% (39,797 acres)

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

(Director/Company secretary)

Date: 30 October 2017

Print name: Gregory Swan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.